

Agency Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	.00	.00	.00	.00	.00	.00	.00	0.00 %
Personal Services	0	0	0	0	0	0	0	0.00 %
Operating Expenses	0	0	0	0	0	0	0	0.00 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Grants	0	0	165,000	140,000	0	305,000	305,000	0.00 %
Total Costs	0	0	165,000	140,000	0	305,000	305,000	0.00 %
Federal Special	0	0	165,000	140,000	0	305,000	305,000	0.00 %
Total Funds	0	0	165,000	140,000	0	305,000	305,000	0.00 %

Agency Description

Mission Statement: The Secretary of State's Office is committed to better positioning Montana for the future by embracing innovative ideas and technology to:

- Foster greater public confidence and participation in the electoral process
- Promote business activities by providing prompt and accurate service
- Act as the steward of state government records by educating agencies on the management and preservation of public documents
- Enhance the security of business transactions through the notary process
- Facilitate public participation in governmental rulemaking
- Provide easier access to information

The Office of the Secretary of State:

- Interprets state election laws and oversees elections
- Maintains the official records of the executive branch and the acts of the legislature
- Reviews, maintains, and distributes public-interest records of businesses and nonprofit organizations
- Files administrative rules adopted by state departments, boards, and agencies
- Attests to the Governor's signature on executive orders, proclamations, resolutions, extradition papers, and appointments
- Preserves the state seal
- Files and maintains records of secured financial transactions, such as liens
- Serves on the state Board of Land Commissioners and the Board of Examiners
- Commissions notaries public

Agency Highlights

Office of Secretary of State Major Budget Highlights
<ul style="list-style-type: none"> ◆ Authority to expend interest revenue of Help America Vote Act of 2002 funds would add \$305,000 federal funds in the 2011 biennium (\$1.04 million was authorized for the same purpose in the 2009 biennium, but was designated as one time only and removed from the base) ◆ The remainder of the office's funding is derived from non-budgeted proprietary funds

Major LFD Issues
<ul style="list-style-type: none"> ◆ Performance objectives could be strengthened

Agency Discussion

Goals and Objectives

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals

The following provides an update on the major goals monitored during the 2009 interim.

Goal 1 - Continue to implement the federal Help America Vote Act of 2002

Successes

- Major milestones toward implementation of the Help America Vote Act of 2002 were successfully completed in advance of the primary and general elections

2011 Biennium Major Goals

The following are goals for the 2011 biennium and key objectives that are supported by base funding or decision packages included in the executive budget for the office:

- Enhance and expand public access to services through the use of new technology
 - Develop and implement a single integrated filing system database with improved functionality
- Improve customer service by reducing turnaround time
- Improve continued efforts for voter participation and efficiency in elections
 - Enhance communication with the public and with county election offices
 - Provide public outreach including voter educational booths, public service announcements and voter registration
- Inform and educate Secretary of State customers and the public
- Communicate with the business community in order to identify ways in which the office can encourage efficiency and quality in business filing compliance, as well as providing prompt, accurate, and professional customer service

LFD ISSUE	<p>Objectives Lack Specificity and are not Time Bound</p> <p>The objectives for the office are generalized statements that could be strengthened by adding specifics as to what would be accomplished within the proposed funding, what the office would measure to monitor progress toward attaining the objective, and when key milestones would be expected to assess progress. For example, what actions would the office undertake to encourage efficiency and quality in business filings? What would the office expect in terms of efficiency and quality improvements and what would the office measure to evaluate if the actions taken are getting the desired results?</p>
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Also, when would the office expect to see results that reveal it is heading in the right direction to change the behaviors of the business community toward the desired goal?

The legislature may want to discuss changes the office could make to its objectives to provide objectives the legislature could better use to establish and monitor fiscal policies.]

Funding

The operations of the Office of the Secretary of State are primarily funded with proprietary funds derived from fees for services, document sales, and other fees established in statute. In recent years, the federal Help America Vote Act of 2002 (HAVA) provided federal special revenue for election reform initiatives. Since expenditure of HAVA interest funds in the base were designated as one time only, these expenditures were removed from the base and no base exists. Interest accrued on deposit of HAVA funds remains unspent and is included for the 2011 biennium as part of HB 2. As such, the HB 2 tables show only HAVA funds derived from interest revenues from the grant proceeds.

The remainder of the office is funded with enterprise type proprietary funds. The proprietary fund and supported operations are discussed below in the Proprietary Rates section.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00 %	0	0	0	0.00 %
Statewide PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
Other PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	165,000	140,000	305,000	100.00 %
Total Budget	0	0	0		165,000	140,000	305,000	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3 - HAVA Interest - Bien/OTO 01	0.00	0	0	165,000	165,000	0.00	0	0	140,000	140,000
Total	0.00	\$0	\$0	\$165,000	\$165,000	0.00	\$0	\$0	\$140,000	\$140,000

DP 3 - HAVA Interest - Bien/OTO - An increase of \$305,000 federal special revenue is requested to provide grants to counties for assistance in completing election reforms of the Help America Vote Act of 2002. Revenue is from interest earned on deposit of Help America Vote Act of 2002 federal grant funds. The executive recommends designating funding as biennial and one time only.

Proprietary Rates

Proprietary Proposed Budget

Secretary of State Business Services Program - Proposed Budget Table						
Account Name	Actual Base	FY 2010 Adjustments	FY 2010 Total	FY 2011 Adjustments	FY 2011 Total	Biennial Budget 2010 - 2011
FTE	54.25	0.00	54.25	0.00	54.25	54.25
61000 Personal Services	\$2,937,403	\$130,922	\$3,068,325	\$137,218	\$3,074,621	\$6,142,946
62000 Operating Expenses	2,097,869	356,318	2,454,187	335,220	2,433,089	4,887,276
63000 Equipment & Intangibles	130,322	0	130,322	0	130,322	260,644
66000 Grants	<u>4,350</u>	<u>0</u>	<u>4,350</u>	<u>0</u>	<u>4,350</u>	<u>8,700</u>
Total Costs	<u>\$5,169,944</u>	<u>\$487,240</u>	<u>\$5,657,184</u>	<u>\$472,438</u>	<u>\$5,642,382</u>	<u>\$11,299,566</u>

Proprietary Program Description

The Office of the Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. The office stores, accesses, microfilms, scans, preserves, and disposes of public documents generated by state and local governments. The office administers corporate filings, registers assumed names and trademarks, processes notary public registrations, and administers the Administrative Rules of Montana (ARM) and the Montana Administrative Register (MAR). The office reviews, approves, maintains, and distributes records of business and nonprofit organizations, and registers and maintains records of secured financial transactions under the Uniform Commercial Codes, including agricultural products, in accordance with the Federal Food Security Act of 1985. The Secretary of State serves as Montana's chief election official and is responsible for the interpretation of application of election laws, except those pertaining to campaign finance. The office also qualifies candidates for the ballot, qualifies initiatives and referendums for the ballot, certifies the language and form of the ballot, publishes the official state voter-information pamphlet, conducts the official canvass of election results, and trains local election officials. The office administers the election reform requirements of the federal Help America Vote Act of 2002.

Funding

Except for the HB 2 funding discussed above, the remainder of the office is funded with enterprise funds. The legislature does not appropriate enterprise funds nor does it approve, in HB 2, the level of fees and charges. Instead, the legislature accepts and identifies any concerns with a report on the enterprise fund that includes retained earnings and contributed capital, projected operations and charges, and projected fund balances. Revenues deposited into the enterprise fund are derived from fees for services, document sales, and other fees established in statute, the fees all of which are established in statute.

Program Narrative

Expenses

The major base expenses of the office are for:

- Personal services (57 percent of base year expenses)
- Various costs associated with providing electronic government services and maintaining information technology systems, including the state voter registration system (17.9 percent)
- Office and storage space rent (4.4 percent)
- Postage and mailing (2.2 percent)

Revenues

Revenues are received from fees charged to businesses and corporations for corporate filings, registration of assumed business names and trademarks, to state agencies and users of ARM for publishing and distributing the ARM and the

MAR, to candidates who file for elections, and Montana citizens who apply to be notaries. Revenues, by source, have been consistent for the past four years and are not projected to deviate from this pattern.

The figure for fund 06053 shows the financial information for the fund from FY 2008 through FY 2011. The LFD edited and reconfigured the figure for clarity.

2011 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06053	Business Services	32010	Secretary of State	Business & Government		
			Actual	Budgeted	Projected	Projected
			FY 2008	FY 2009	FY 2010	FY 2011
Operating Expenses:						
Personal Services			\$3,021,196	\$2,711,426	\$3,068,325	\$3,074,621
Other Operating Expenses			<u>2,395,131</u>	<u>2,016,847</u>	<u>2,588,859</u>	<u>2,567,761</u>
Total Operating Expenses			5,416,327	4,728,273	5,657,184	5,642,382
Operating Revenues:						
Revenue From Fees			4,952,557	5,180,000	5,185,000	5,185,000
Investment Earnings			152,581	160,000	285,500	310,582
Securities Lending Income			4,915	0	0	0
Other Operating Revenues			<u>50,690</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Revenue			5,160,743	5,340,000	5,470,500	5,495,582
Operating Gain (Loss)			(255,584)	611,727	(186,684)	(146,800)
Other Sources (Uses) (Note 1)			(1,648)	0	0	0
Net Assets as of July 1 (Beginning of Fiscal Year)			3,808,187	3,529,151	4,140,878	3,954,194
Net Increase (Decrease) of Net Assets			(257,232)	611,727	(186,684)	(146,800)
Prior Period Adjustments			(21,804)	0	0	0
Cumulative Effect of Account Change			<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Assets as of Jun 30 (End of Fiscal Year)			<u>\$3,529,151</u>	<u>\$4,140,878</u>	<u>\$3,954,194</u>	<u>\$3,807,394</u>
Note 1 - Includes loss on sale of fixed assets						

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Secretary of State Business Services Program - Present Law Adjustments		
DP Name	FY 2010	FY 2011
DP 0000 Statewide Adjustments	\$435,193	\$420,663
PL 0004 Overtime	50,000	50,000
Total Present Law Adjustments	<u>\$485,193</u>	<u>\$470,663</u>

DP 0004 - Overtime – Funding for overtime pay for staff during the annual reports season would add \$100,000 over the biennium.

LFD COMMENT	Base Overtime
	Overtime in the base was about \$48,000.

New Proposals

Secretary of State Business Services Program - New Proposals		
DP Name	FY 2010	FY 2011
DP 6101 Fixed Cost Workers Comp Management Program Alloca	\$2,047	\$1,775

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, executive proposes funding via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as a one time only for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process.

Proprietary Rates

Funding for the program is with enterprise type proprietary funds. As such, the legislature does not approve rates or appropriate funds for the proprietary portion of the Secretary of State. The legislature reviews the report for the enterprise fund and notes any concerns with the financial position of the fund. Rates for the Secretary of State's Office are established in administrative rule.